

RESERVE BANK OF FIJI

PRESS RELEASE



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RBF MAINTAINS ACCOMODATIVE MONETARY POLICY

The Reserve Bank of Fiji Board at its monthly meeting on 25 June kept the Overnight Policy Rate (OPR) unchanged at 0.25 percent.

The Governor and Chairman of the Board, Mr Ariff Ali, highlighted that, “the COVID-19 pandemic continues to affect a large segment of economic activity across the globe. Downside risks to the global outlook have increased with the constant evolution of the pandemic and protests across the United States and other countries. As such, the International Monetary Fund in its June World Economic Outlook projected the global economy to now contract by 4.9 percent this year, from a 3.0 percent decline anticipated in April. On a positive note, countries with reduced new coronavirus cases have started to gradually relax lockdown restrictions to support economic activity, although the recent spike infections in some major economies could derail the much-needed economic recovery.”

Mr Ali added that as a result of the negative spillover from the global pandemic, the Fijian economy is anticipated to contract severely this year with sectoral performances significantly weak to date. Recent partial indicators for consumption and investment continue to point to falling aggregate demand while overall labour market conditions have worsened with ongoing job losses. Given the weak economy, domestic credit has slowed further and the number of non-performing loans has risen. Nonetheless, the financial system continues to be assessed as sound, underpinned by solid capitalisation and liquidity ratios. Commercial banks’ cost of funds have generally fallen owing to the high levels of excess liquidity which totalled \$796.9 million as at 24 June. In addition, the easing of some COVID-19 restrictions by the Government will see the restart of some economic activity.

Annual inflation remained in negative territory in May (-1.7%) and is forecast to edge-up to 1.0 percent by year-end. Foreign reserves (RBF holdings) are around \$2,203.9 million (25/06), sufficient to cover 6.9 months of retained imports and are expected to remain comfortable in the medium-term.

Governor Ali concluded that the unveiling of the National Budget next month could catalyse economic activity further and that the Reserve Bank will maintain its current accommodative stance given the stable outlook for foreign reserves and inflation. Nevertheless, the RBF will continue to monitor economic developments and risks closely, and align monetary policy where appropriate.

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